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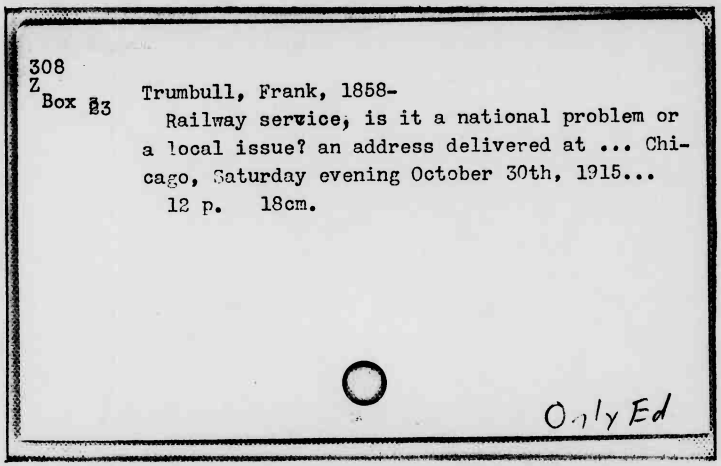
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Railway Service:—Is It a National Problem or a Local Issue?

An Address

BY

FRANK TRUMBULL

Delivered at a dinner given to E. P. Ripley, President, Atchison, Topeka & Santa Fe Railway Company at The Blackstone, Chicago, Saturday evening, October 30th, 1915, on the occasion of his Seventieth Birthday

Railway Service:—Is It a National Problem or a Local Issue?

An address delivered at a dinner given to E. P. Ripley, President Atchison, Topeka & Santa Fé Railway Company, at the Blackstone, Chicago, Saturday evening, October 30th, 1915, on the occasion of his Seventieth Birthday

We are admonished not to say anything fulsome this evening about Mr. Ripley. It would be agreeable to us but, because of his modesty, embarrassing to him to tell the truth about him.

I only deliberately affirm that I have never had a conversation with E. P. Ripley without feeling better and bigger at the end of the interview than at the beginning. I have admired him as an official neighbor, as a model executive, and I have long entertained more than admiration; my feeling has been, and is, one of genuine and sincere affection.

I hope I may avoid platitudes before an assemblage like this. To argue here the desirability of efficient service and of railway prosperity is absurd. You all know they are vital. Limitations upon your time and patience permit me to speak only concerning what seems to me to be the paramount fundamental defect in the railway situation—that is, the division and consequent lack of responsibility in regulation. I shall not

weary you with figures. The Santa Fé figures speak for themselves, and I have often quoted a remark Mr. Ripley made to me once in a certain intricate negotiation, to wit: "Let's drop the figures and get at the facts."

The fact is that Mr. Ripley and the Santa Fé are conspicuous because they are both above the average in many creditable ways. Among one hundred million people you can see his head and shoulders, and among the railroads of the world the Santa Fé is one of the largest and best. He is admittedly not a marsupial. A distinguished friend of mine not long ago defined a "marsupial" as an animal with a pouch on its stomach into which it jumps when frightened. He has not been afraid—indeed, he has felt it his duty to speak in plain language to his shareholders and to the public about the kind of regulation with which he has had to contend in thirteen states. He has not, as some have done, voiced in stately language the sentiment of the unthinking. He is a rugged, plain-spoken man. No doubt, his feelings have frequently been those of a man who is punched in the nose by a man without any face. Power without responsibility for results makes him impatient. All his life he has been accustomed to responsibilities; and the greater the power in his strong hands, the greater has been his sense of trusteeship. In consequence, he has won the confidence of all the communities and of all the investors he has served so

well. He has done this in spite of the declaration that no man can serve two masters. He has endeavored to adjust himself to the regulation, not only of two masters, but of fourteen—that is, the Federal Government and thirteen states. How much better could he have done if this regulation had been unified and consistent! How much waste could he have cut out for the benefit of everybody!

I shall not undertake to describe before a body of men like this the piecemeal, patchwork, burdensome and conflicting state regulation of railroads. Every man here could testify about actual experiences in his own geographic sphere, but considering the railroads of the United States as a whole, they are regulated by forty-nine interlocking directors—forty-eight states and the Federal Government. Freight cars go everywhere, shippers determine the routing of their freight; the Interstate Commerce Commission can determine divisions of through rates, and if the railroads of Texas, for example, be crippled, there is impairment and waste not only in Texas, but in every state. So far as I know, no one has yet assembled in one tragic exhibit the needless expense, the crudities and the irreparable losses which this interlocking regulation has imposed upon railway administration.

Omitting figures but stating facts, what is the situation of the railroads of the country considered as a whole? Their net operating income for the fiscal year

ended June 30, 1915, was not as great as in 1910, 1911 or 1912, and the loss in comparison with 1913 was even greater. There are now abundant crops and various signs of returning prosperity, but who shall say whether this is permanent or only hectic? What will be the manufacturing situation here when peace has been declared in Europe? What will be the cost of new money? Who is wise enough to say whether there will be a large immigration into the United States or practically none at all? What will be the effect of any or all of these features on the price of labor? Can any railroad executive assure his shareholders that they have heard the last of the wage questions? Will taxes increase or will they remain stationary? Has the passion for state regulation spent its force or is it a continuing movement?

In the last four years probably not less than fifteen hundred million dollars have been dedicated by private investors to the public service in the form of additional railroad property, but, as I have said, the net operating income of the railroads has been diminished. Is it any wonder that the investor feels that he may continually be in a dentist's chair, and that there is practically no appetite for fresh railroad development, particularly at a time when investors can get high rates of interest and big profits otherwise? If fifteen hundred million dollars have been required during years of restricted business, why not that much or more in the years that are immediately ahead of us—years of possibly greatly increased

traffic? Where is the reserve preparation for it? If we have a big business, will the transportation machine break down and if it does, who will allay the irritation? May not the shippers, while saving in rates, have risked their profits? I do not argue the question of government ownership. Government has owned the wagon roads of this country for three hundred years and they are sufficient answer. It would be interesting, would it not, to have a governmental valuation of the wagon roads showing, as in the case of the railroads, the original cost to date, the cost of reproduction, etc.?

Many sincere and honest citizens ask why should not the railroads accept the same vicissitudes as general business. This is a proper question to ask and a proper one to answer. Government puts limitations upon the prices which railroads may charge and requires them to remain in business every day in the year whether or no. These are the two important features which differentiate the railway business from other business of the country. France has long since recognized this by guaranteeing to railroad owners minimum regional dividends. Great Britain has recently recognized it in temporarily taking over the management of its railroads, by guaranteeing to their owners returns equal to those prior to the war. Is not security of investment as desirable for the peaceful development of a people as for war? Under present conditions investors take all the risk of the ordinary fluctuations of business and the risk of contradictory and

confusing regulation besides. And that, of course, means pure, unadulterated speculation.

Please understand that I make no protest against regulation of railroads by public authority. Wise regulation is in the public interest, *but if regulation is to be successful* it must be responsible; it must be consistent; it must provide some sort of assurance to future investors as to treatment which they will receive. If the treatment is niggardly, even in a few states, railway investment will be restricted. If the treatment is liberal, railway investment and enterprise will be stimulated. The fundamental weakness of the present situation is that by reason of the inconsistency, the complexity, and often the contradictions, involved in the present system of regulation, the railroad officer cannot make any promises as to the treatment which investors in his property will receive. That is a difficult position in which to put any conscientious man seeking additional capital. Again, no matter how well or satisfactorily the Interstate Commerce Commission may do its work, the entire fabric can be disarranged through counteracting influences of state commissions and legislative bodies.

It is no casual coincidence that modern history is the history of national development and that it has been contemporaneous with the development of railroads. First of all, Piedmont drew the Italian states together and Italy was reborn; then Prussia drew all the German states together and welded them into one on the anvil of war;

Napoleon said once that Russia was a giant without bones, but Russia has since provided both bone and arteries and through the Trans-Siberian Railroad is feeling her national unity throughout her nine million square miles of territory. Great Britain has drawn her colonies closer together by furnishing the capital for transcontinental transportation.

When the bill for the Union Pacific Railroad was pending in Congress, the member who introduced it advocated it upon the ground that it was necessary to bind together the Union, for California and the whole Pacific coast were very remote. That is the way the road got its significant name.

The Santa Fé System spans two-thirds of the continent and reaches from the southern line nearly to the northern boundary of the United States. It would be difficult, if not impossible, to find a community in this nation that has not been served directly or indirectly by this great transportation machine. It has accelerated the distribution of practically every necessity of human life. It has given comfort and pleasure to millions upon millions of travelers from all over the country and it has run with willing feet to help answer the daily prayer of the world for its daily bread. Mr. Ripley is, therefore, the servitor, not of a section, but of the whole people of this united country. If he were a citizen of Canada or of Great Britain the honor of this would have been recognized, and he would long

since have been "Sir Edward." In the twenty years of his direction of this vast enterprise it has grown, doubtless, even beyond his expectations. This is gratifying and cheering, but also food for solemn reflection; for he also is dependent upon the attitude of investors toward regulation beyond his control. His opportunity for service is subject to that limitation.

So from every point of view, it is appropriate that we look at the whole railway subject in a big, broad way as a national question; that is, if we are to have national efficiency—not to say national security, and keep abreast of other big nations commercially and politically. In entering into the Union the states obtained as well as reserved rights. The paramount right was to be part of the Union; to be protected from outside invasion, and against preferences and burdens which any of the others might seek to establish against the one. No state could possibly want its distribution of commerce restricted to its own boundaries. There is no such thing as a twilight zone in the commerce of a nation. A national spirit will inevitably prevail; is prevailing. The Santa Fé System is not a sectional but a national asset.

More and more people are coming to believe that what the United States has done for its banking system it can and ought to do for its railroads. Bankers are required to co-operate and to mobilize their strength for the common welfare. If they do not, the

penalty is capital punishment—that is, they must get out of the system. The attitude of the Federal Reserve Board toward the banks is that they must be safe and make money and accumulate adequate reserves, in order to be efficient. It is most desirable to keep supervision as well as administration in close contact with the people. The banking law, which the people have already enacted, accomplishes this through regional co-operation. One of the members of the Federal Reserve Board said in a public statement not long ago: * * * "If the Federal Reserve Board does its full duty; we shall have reached one ideal of scientific management—local self-government and centralized supervision."

Have you observed the evolution which is going on in connection with the railroads? More and more questions are being considered regionally. For example, wages and rates. Would any one expect the employes of the railroads to consent to a different rate of pay in each state? In the rate hearings, presentations to the Interstate Commerce Commission are made by the railroads in large regional groups and the states themselves are co-operating regionally in their opposition; express rates have been established in zones by the Interstate Commerce Commission. Almost simultaneously with this comes a widespread impulse toward preparation for national defense. I do not stop to discuss it but merely suggest, could anything be more negligent than to set up a large military establishment without making a

national inquiry concerning transportation facilities and regulation? The fascinating task of this generation is, therefore, converging upon methods for promoting national unity. This country is taking back from Europe by the millions its own securities. I hope it may own them all. If the railroad and other statesmen of this country can by friendly, intelligent co-operation make railroad stocks so desirable that any man or woman will be glad to put his or her savings directly into them, railroad debt can be carried much easier, the railway problem will be solved, and the income of those who save will be increased, in comparison with rates allowed by banks on savings of depositors. If the Government can by legislation make banking safe and the transportation of property and people safe, can it not also promote safety of railroad stocks? Should not the people own the railroads directly; that is, of course, the people of thrift?

If I seem to criticise our existing systems of regulation, it is not to criticise the principle or to seek relaxation in the stringency, but to ask that the public give its thought to bringing into existence a comprehensive scheme of regulation under which railroad officers and investors in railway property may know one way or the other what they may expect from public authority. Is it possible to put a worthier ambition than this before any man or any body of men?

The distinguished guest of the evening has constantly and consistently in all kinds of weather advocated co-

operation of all the railroads for the national welfare. By building up a great railway system, he has

> "Scattered plenty o'er a smiling land
> And reads his history in a nation's eyes."

This great national development has come in his seventy splendid years. He may well say of it: "All of which I saw and part of which I was." He has witnessed its romance, its anxieties, its sad mistakes. During his time many wrongs have been righted, but many rights have also been wronged. One right is that such a unified transportation system as he has developed is entitled to unified regulation. Moreover, the people of this country are entitled to it, and sooner or later will insist upon it. There are not many E. P. Ripleys, but imagine, if you can, the state of mind of the people served by the Santa Fé System if its *management* were turned over to thirteen men even of his genius—one in each state and no one of them reporting to any of the others or to any paramount direction.

It is a thrilling and wonderful time in which we live. The exchanges and credits of the world may be permanently shifted from London and Paris to New York. Not, however, unless our latent powers of unification and efficiency are utilized. It is *the* opportune time for statesmanship in transportation, as well as in banking. The same pathfinder spirit which has gridironed the continent can surely find a path out of the present legislative

maze. Fortunately, notwithstanding undue emphasis in the public mind upon exceptional misdeeds, the code of honor of the railroad officials of this country is not surpassed in any business.

We, therefore, felicitate ourselves that Mr. Ripley is still with us—an elder statesman and one of us, brave and courageous about the uncharted future, as well as serene about the past. He has not only carried his own great burdens—realizing, as every trustee does, that responsibility goes with power, but he has been a tower of strength in defending all railway achievement and in doing that has served his country well and possessed all our hearts.

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